

South Ayrshire Council

**Report by Head of Finance, ICT and Procurement
to Audit and Governance Panel
of 31 May 2023**

**Subject: Audit Scotland: Integration Joint Boards – Financial
 Analysis 2021/22**

1. Purpose

1.1 The purpose of this report is to advise the Panel of the Audit Scotland report 'Integration Joint Boards – Financial Analysis 2021/22'.

2. Recommendation

2.1 It is recommended that the Panel:

2.1.1 considers the findings outlined in the Audit Scotland report 'Integration Joint Boards – Financial Analysis 2021/22' (attached as Appendix 1); and

2.1.2 notes the position in relation to South Ayrshire Council outlined in para 4.2.

3. Background

3.1 In April 2023, Audit Scotland published a report entitled 'Integration Joint Boards – Financial Analysis 2021/22'. The key messages as summarised in the report are as follows:

Integration Joint Board (IJB) Operating Context:

3.1.1 IJBs face increasing demand – Scotland's population is ageing, with increasingly complex health and social care needs.

3.1.2 The health and social care workforce is under extreme pressure, with continued recruitment and retention challenges.

3.1.3 IJBs continue to deal with the impacts of Covid-19 on services.

3.1.4 There remains considerable uncertainty about the planning and delivery of health and social care services whilst the Scottish Government develop plans to create a National Care Service (NCS).

IJB Financial and Service Challenges

- 3.1.5 IJBs face considerable financial uncertainties and workforce challenges.
- Efficiency and transformational savings alone may be insufficient to meet future financial challenges. Significant transformation is needed to ensure financial sustainability and service improvements.
 - The social care sector cannot wait for a NCS to deal with financial, workforce and service demand challenges— action is needed now if we are to improve the outcomes for people who rely on health and social care services.

IJB Finances 2021/22

- 3.1.6 IJBs returned significant surpluses in 2021/22, mainly due to additional funding received late in the financial year for specific policy commitments, including Covid-19, as well as underspends on the cost of providing services.
- 3.1.7 Total IJB reserves have doubled in 2021/22 to £1,262 million largely due to additional funding received late in the financial year for national policy commitments, including the response to Covid-19. Due to changes to future anticipated IJB Covid-19 spend, the Scottish Government are exploring options to recover around two thirds of Covid-19 related reserve balances held at the 2021/22 year end.
- 3.1.8 The pandemic continued to impact on the delivery of IJB savings plans, with the Scottish Government providing specific financial support in 2021/22 to support unachieved savings on a non-recurring basis. This typically means that these savings have to be achieved in future years. It is essential that comprehensive plans are in place, demonstrating how IJBs will achieve recurring savings and support required service transformation.

Medium – and Longer Term Outlook

- 3.1.9 IJBs have a projected funding gap of £124 million for 2022/23. Fourteen per cent of the 2022/23 projected funding gap is anticipated to be bridged by drawing on reserves, with other savings delivered on a non-recurring basis. Savings options had not been identified for 28 per cent of the gap. The identification and delivery of recurring savings and reducing reliance on using reserves to fund revenue expenditure is key to ensuring long-term financial sustainability.
- 3.1.10 Three quarters of IJBs have recently updated their Medium-Term Financial Plans (MTFPs). Doing so allows IJBs to respond more effectively to the long-term impacts of Covid-19, alongside increased cost pressures, including rising demand and inflation.

4. Proposals

4.1 It is proposed that Members consider and note the terms of the Audit Scotland report.

4.2 In terms of South Ayrshire Council's own arrangements, it should be noted that:

4.2.1 The IJB Medium Term Financial Forecast (MTFF) for 2024-28 will be presented to the IJB for review and approval on 15 May 2023.

4.2.2 The MTFF includes local demographic information that impact on demand for services. In the years to 2028, the over 75 age group is expected to increase by 27.1%. The working age population is expected to decrease by 21.4%, compared to a Scotland average decrease of 3.3%. The latest Public Health Scotland publication reports the dependency ratio in South Ayrshire is 70%, compared to Scotland average of 58%.

4.2.3 Due to the demographics in South Ayrshire from an ageing population and a reduction in the working age population, workforce pressures are the most significant challenge facing the IJB. The lack of workforce capacity particularly within care at home service is impacting on the ability to transfer people from hospital back into the community, resulting in higher delayed discharges in both Ayr Hospital and Biggart Hospital. This is despite investment in both commissioned services and inhouse services. The lack of workforce capacity has reduced availability of care at home hours by 35% since April 2021.

4.2.4 The HSCP Workforce Plan 2022-2025 was approved by the IJB on the 12th of October 2022, the plan is aligned to the five pillars of the workforce journey included in the National Strategy for Health and Social Care in Scotland, namely Plan, Attract, Train, Employ and Nurture.

4.2.5 The MTFF provides three scenarios best, mid and worst case forecasted financial gap for each financial year to 2028 based on assumptions included in the Scottish Governments Resource spending review alongside financial pressures from increasing costs and increase in demand from an ageing population.

4.2.6 As at period 9, 31 December 2022, the IJB had General Reserves of £5.148m, this is 2.6% of the 2023-24 annual budget of £194.890m. The IJB's reserves policy is to maintain uncommitted general reserves at a minimum of 2 % of anticipated annual revenue expenditure.

4.2.7 The IJB has approved transformation and improvement projects over the past three years, the most recent projects relate to pandemic recovery and temporary investments in community care to test new ways of working to mitigate against the workforce pressures and facilitate transfers into community-based services.

4.2.8 The IJB's MTFF recommends next steps to take forward a longer-term savings plan for years to 2028, create a transformation and improvement fund from general reserves to enable redesign of services to ensure future financial sustainability.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 Not applicable.

7. Human Resources Implications

7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

9. Equalities

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 2.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Priority 4 of the Council Plan: Efficient and effective enabling services.

13. Results of Consultation

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and Councillor Lee Lyons, Portfolio Holder for Health and Social Care, and the contents of this report reflect any feedback provided.

Background Papers None

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Date: 17 May 2023

Integration Joint Boards

Financial analysis 2021/22



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
April 2023

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Further information about our work on [Transforming health and social care in Scotland](#) is available on the Audit Scotland website as well as the following outputs:

Health and social care integration: Update on progress

November 2018

What is integration? A short guide to the integration of health and social care services in Scotland

April 2018

Health and social care integration

December 2015



Key messages

IJB operating context

- IJBs face increasing demand – Scotland’s population is ageing, with increasingly complex health and social care needs.
- The health and social care workforce is under extreme pressure, with continued recruitment and retention challenges.
- IJBs continue to deal with the impacts of Covid-19 on services.
- There remains considerable uncertainty about the planning and delivery of health and social care services whilst the Scottish Government develop plans to create a National Care Service (NCS).

IJB financial and service challenges

- IJBs face considerable financial uncertainties and workforce challenges.
 - Efficiency and transformational savings alone may be insufficient to meet future financial challenges. Significant transformation is needed to ensure financial sustainability and service improvements.
 - The social care sector cannot wait for a NCS to deal with financial, workforce and service demand challenges– action is needed now if we are to improve the outcomes for people who rely on health and social care services.

IJB finances 2021/22

- IJBs returned significant surpluses in 2021/22, mainly due to additional funding received late in the financial year for specific policy commitments, including Covid-19, as well as underspends on the cost of providing services.
- Total IJB reserves have doubled in 2021/22 to £1,262 million largely due to additional funding received late in the financial year for national policy commitments, including the response to Covid-19. Due to changes to future anticipated IJB Covid-19 spend, the Scottish Government are exploring options to recover around two thirds of Covid-19 related reserve balances held at the 2021/22 year end.
- The pandemic continued to impact on the delivery of IJB savings plans, with the Scottish Government providing specific financial support in 2021/22 to support unachieved savings on a non-recurring basis. This typically means that these savings have to be achieved in future years. It is essential that comprehensive plans are in place, demonstrating how IJBs will achieve recurring savings and support required service transformation.

Medium- and longer-term outlook

- IJBs have a projected funding gap of £124 million for 2022/23. Fourteen per cent of the 2022/23 projected funding gap is anticipated to be bridged by drawing on reserves, with other savings delivered on a non-recurring basis. Savings options had not been identified for 28 per cent of the gap. The identification and delivery of recurring savings and reducing reliance on using reserves to fund revenue expenditure is key to ensuring long-term financial sustainability.
 - Three quarters of IJBs have recently updated their Medium Term Financial Plans (MTFPs). Doing so allows IJBs to respond more effectively to the long-term impacts of Covid-19, alongside increased cost pressures, including rising demand and inflation.
-

Introduction

1. This Accounts Commission report provides a high-level independent analysis of the financial performance of Integration Joint Boards (IJBs) during 2021/22 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for IJBs in 2022/23 and financial planning in the medium and longer terms. The IJB Financial Analysis forms one part of the Commission's wider programme of audit work on IJBs and health and social care integration.

2. IJBs were under significant pressure in 2021/22 – from increasing workforce challenges, the demand pressures of an ageing population and trying to address the disruption caused by Covid-19 on services. The pandemic increased the challenges facing IJBs already trying to respond to financial and demand pressures.

3. Alongside this, all IJBs are having to manage immense pressures on the health and social care workforce. Within social care services in 2021, there were around 208,360 people working across Scotland with a 30 per cent turnover of staff per year. The proportion of care services reporting vacancies increased by 11 per cent to 47 per cent in 2021.¹ The most common reasons for vacancies not being filled were too few applicants, and too few who were experienced and qualified. The effects of the pandemic exacerbated existing pressures on the workforce with low pay, antisocial hours and 'burnout' causing experienced staff to leave their posts.

4. Together with the Auditor General for Scotland and Audit Scotland, we have [reported on the significant ongoing challenges](#) which impact the delivery of health and social care services. Most recently, we highlighted this in our 2022 [Social care briefing](#). This will continue to be a focus for our future work.

What is an Integration Joint Board?

5. The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) is intended to ensure that health and social care services are well integrated, so that people receive the care they need at the right time and in the right setting, with a focus on community-based, preventative care. The reforms affect everyone who receives, delivers and plans health and care services in Scotland. The Act requires councils and NHS boards to work together in partnerships, known as Integration Authorities (IAs). There are 31 IAs, established through partnerships between the 14 territorial NHS boards and 32 councils in Scotland.



There were around 208,360 people working across social care services in Scotland in 2021.



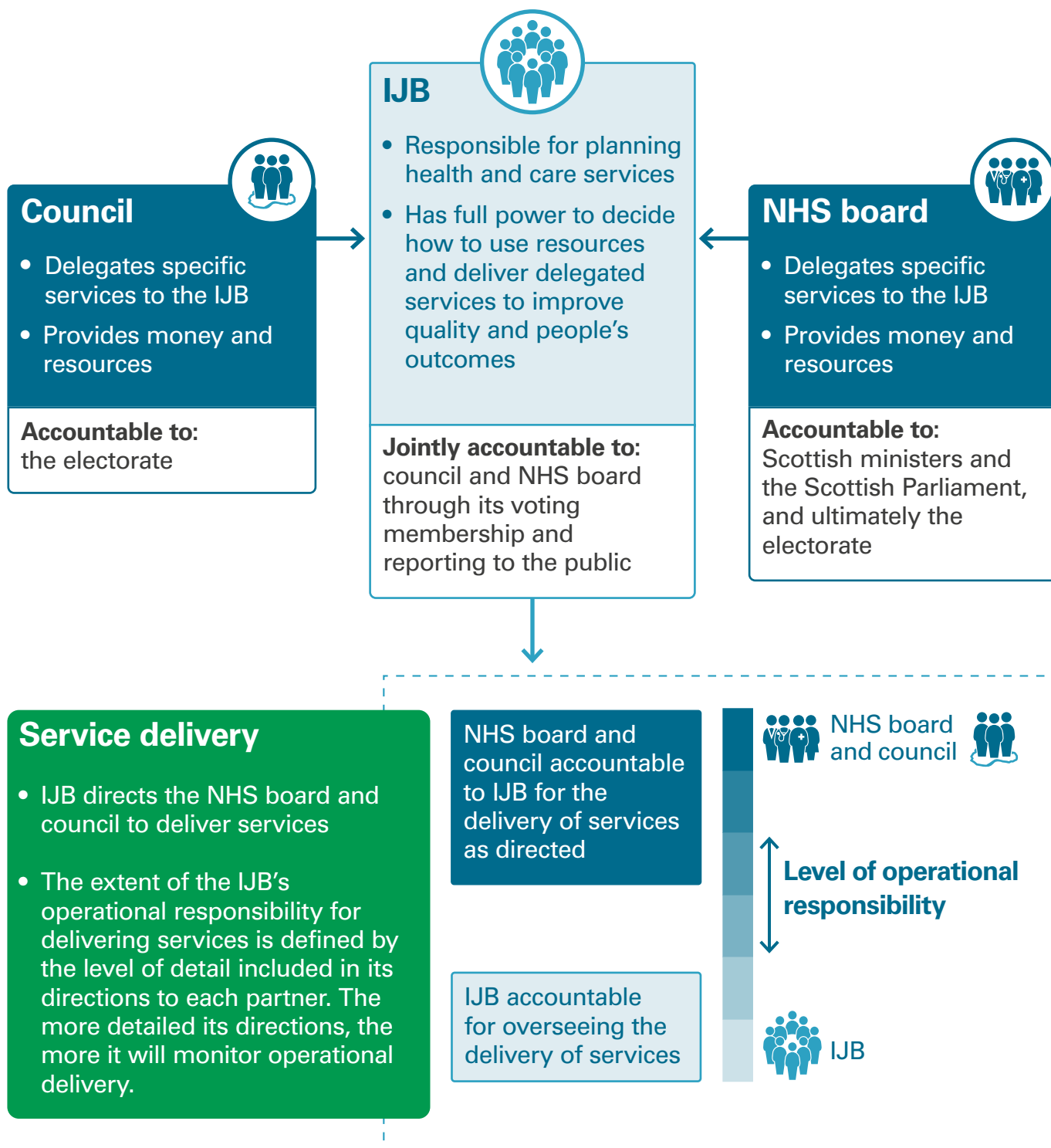
The annual turnover of staff working in social care services was 30%.



Care services reporting staff vacancies increased by 11 per cent to 47 per cent in 2021.

¹ 'Staff vacancies in care services 2021' Scottish Social Services Council

6. As part of the Act, new bodies were created – Integration Joint Boards (IJBs). The IJB is a separate legal entity, responsible for the strategic planning and commissioning of the wide range of health and social care services across a partnership area. Of the 31 IAs in Scotland, 30 are IJBs and one area, Highland, follows a Lead Agency model. In Highland, the NHS board and council each lead integrated services. Clackmannanshire and Stirling councils have created a single IA with NHS Forth Valley.



7. IJBs provide a wide range of services to vulnerable members of the community. Each IJB differs in terms of the services they are responsible for and local needs and pressures. The Act sets out the services that are required to be delegated to the IJB as a minimum, with the largest areas including the governance, planning and resourcing of the following:

IJB largest service areas

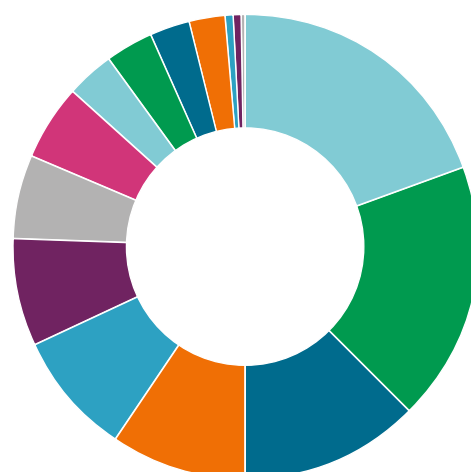
	Adult and older people social work
	General practitioner services
	Services for adults with physical disabilities
	Mental Health services
	Drug and alcohol services
	Allied health professional services
	Pharmaceutical services

8. In some areas, partners have also integrated children's services, social work criminal justice services and some planned hospital services.

9. The budget split varies between IJBs and depends on what services have been delegated. Generally, two-thirds of budgets were for health-related services are provided by the NHS, with the remaining one-third relating to social care services provided by councils and a range of external providers. The exhibit below provides an illustrative example of what IJBs direct money to be spent on, by service:

Illustrative IJB spending

	Community Health Services	19%
	Family Health Services	18%
	GP prescribing	13%
	Hospital and long term care	9%
	Resource Transfer and other payments	9%
	Adult placements	7%
	Older people nursing and residential	6%
	Homecare Services	5%
	Adult Supported Living	3%
	Children's Services	3%
	Social Care fieldwork teams	3%
	Older people residential and day care	2%
	Adults Fife Wide	1%
	Housing	0%
	Social Care other	0%



Source: Fife IJB revenue budget 2021 to 2024

Funding and expenditure

Overall funding to IJBs increased by seven per cent in 2021/22

10. Overall funding to IJBs in 2021/22 increased by £704 million in cash terms (or seven per cent) to £11.3 billion. The changes in funding included:

- contributions from councils increasing by two per cent from £2.8 billion to £3.0 billion
- NHS contributions increasing by eight per cent from £6.5 billion to £7.9 billion
- service income increasing from £0.3 billion to £0.5 billion.

11. Scottish Government Covid-19 funding was passed on to IJBs via the NHS, explaining the majority of this increase. The increase in the identified service income was largely due to an improved transparency in the way that this income was presented in the IJB accounts rather than an increase in the amount of service income received.

Over a third of Covid-19 funding received in 2021/22 was carried forward to 2022/23

12. IJBs received £960 million² of additional funding in year to support them in responding to Covid-19 related costs. Over a third (37 per cent) of Covid-19 related funding received in 2021/22 was carried forward in ringfenced reserves. This situation has arisen largely from the significant allocation of additional Scottish Government funding received towards the end of the financial year. There was initially an expectation that this would be used to fund ongoing Covid-19 related costs. A significant proportion of this funding is now anticipated to be recovered by the Scottish Government via reductions in the NHS funding allocation to IJBs. More information can be found in [paragraph 21](#).

All IJBs recorded significant surplus positions in 2021/22 arising mainly from the receipt of additional ringfenced funding

13. All 30 IJBs reported a surplus position for 2021/22, totalling £679 million, representing seven per cent of the 2021/22 net cost of services. The overall surplus position arose from three main areas ([Exhibit 1, page 10](#)):

- Non-recurring Covid-19 funding in excess of in-year Covid-19 related expenditure accounted for 52 per cent of the cumulative surplus (three per cent of net cost of services).



IJBs received £960 million of additional funding in year to support them in responding to Covid-19 related costs.

² £1 billion, when including support for the Highland Lead Agency model.

- Non-recurring Scottish Government funding allocated for specific purposes accounted for 34 per cent of the cumulative surplus (two per cent of net cost of services).
- Underspends on the costs of providing services accounted for 14 per cent of the cumulative surplus (one per cent of net cost of services).

Most IJBs reported an underspend position on the costs of providing services

14. The net underspend position on the costs of providing services across IJBs was £93 million. IJBs reported that these underspends were driven largely by vacancies and staff turnover and pandemic-related reductions in service provision. Three IJBs reported an overspending on service budgets and these were funded largely through additional partner funding allocations.

Delivery of savings continues to be impacted by the pandemic

15. An analysis of a sample of 27 IJBs identified that three-fifths of total planned savings were achieved compared to just over half of planned savings being delivered in 2020/21. It was not possible to determine the proportion of savings that were delivered on a recurring basis as a result of management actions and what proportion related to one off non-recurring savings.

16. The achievement of savings varied significantly, ranging from zero to 100 per cent. Fourteen IJBs achieved over 75 per cent of their savings targets and four IJBs achieving all their required savings in full. Two IJBs either did not achieve any savings or had no savings target in place for the year ([Exhibit 2, page 11](#)).

17. Similarly to 2020/21, to reflect the impact of the pandemic on savings plans the Scottish Government provided IJBs with additional funding to cover the projected 2021/22 shortfalls in efficiency savings plans on a non-recurring basis. The total funding to cover this shortfall in 2021/22 was £41.2m. This will have contributed to the IJBs' overall year-end surplus position.

18. Savings delivered, or funded, on a non-recurring basis largely get carried forward to be achieved in future years. It is essential that comprehensive plans are put in place to demonstrate how IJBs intend to achieve ongoing saving requirements on a recurring basis and support required service transformation.

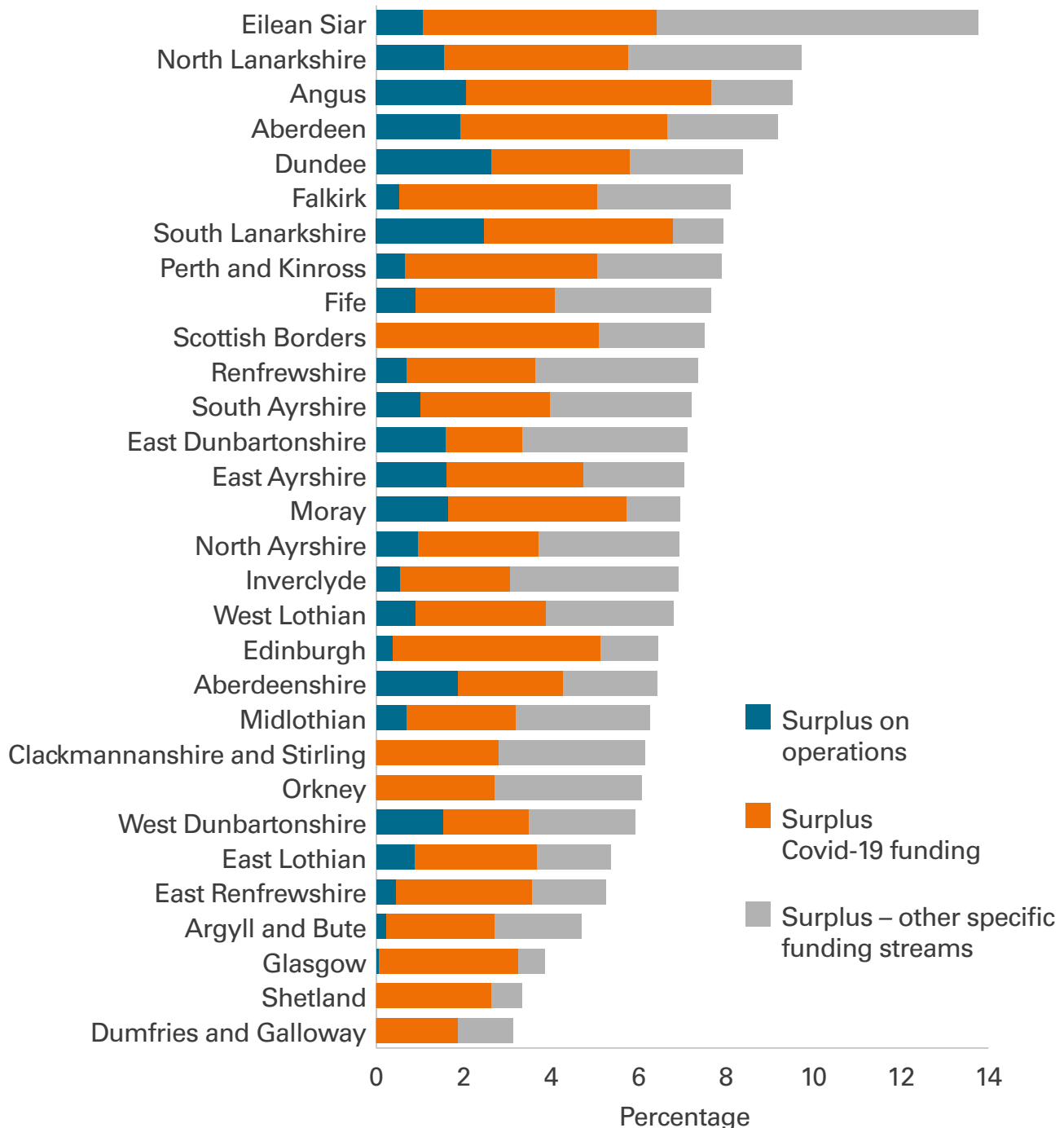


It is essential that comprehensive plans are put in place to demonstrate how IJBs intend to achieve ongoing saving requirements on a recurring basis.

Exhibit 1.

Surplus as a proportion of net cost of services

Most IJBs reported an underspend position on the costs of providing services.



Notes:

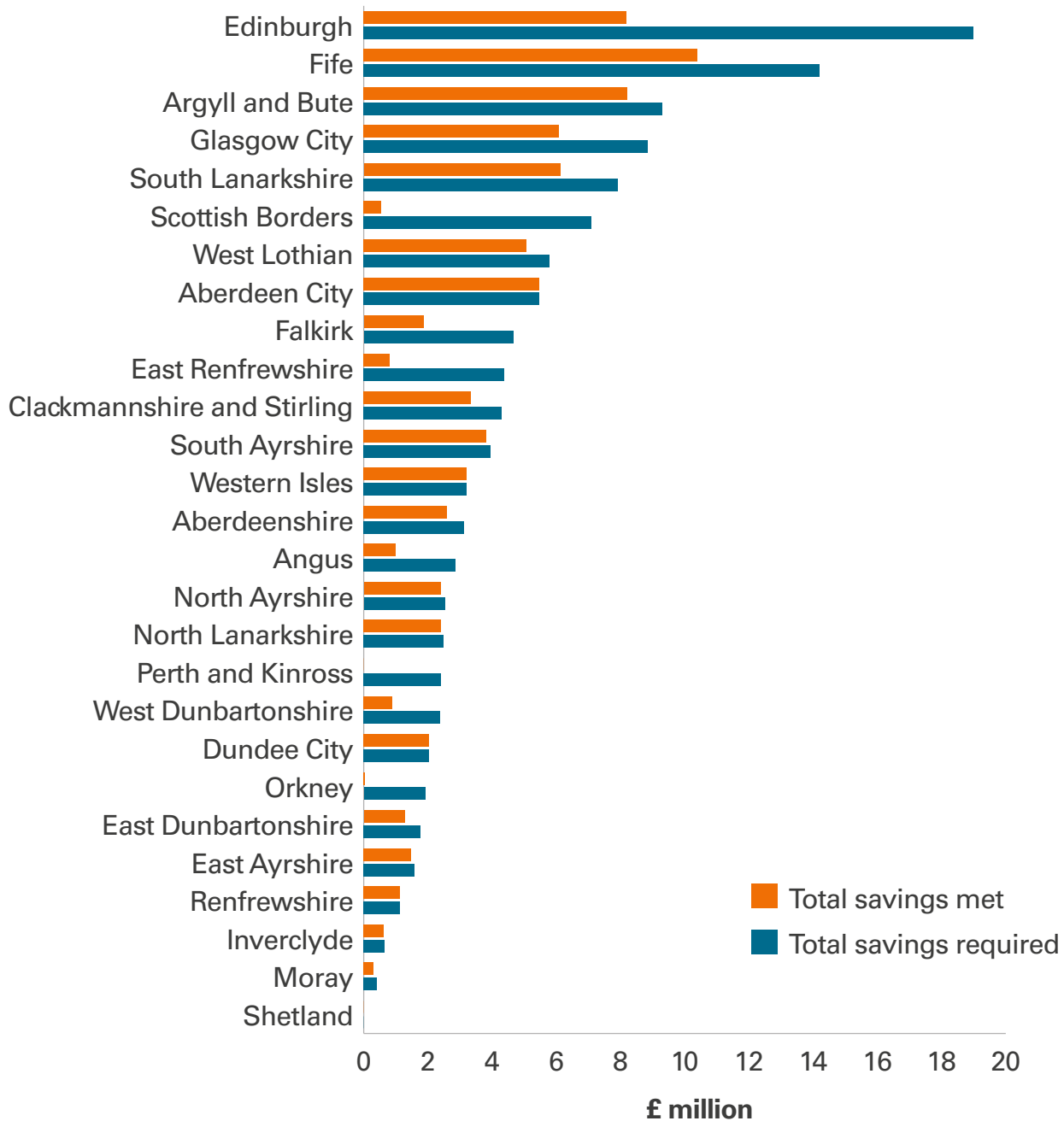
1. Dumfries and Galloway, Shetland and Scottish Borders recorded deficits on the costs of providing services, requiring additional contributions from partner bodies.
2. Orkney and Clackmannanshire/Stirling IJBs reported break-even on the costs of providing services.
3. For South Lanarkshire and Glasgow, where the operational surplus/deficit was not reported, the movement in unearmarked reserves was used instead.

Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports

Exhibit 2.

2021/22 Savings performance

Three fifths of total planned savings were achieved compared to just over half of planned savings being delivered in 2020/21.



Notes:

1. In some cases savings met may include one-off compensating savings which were not part of the original planned savings.
2. For West Lothian, where the savings achieved have not been reported, the unmet savings have been set to the amount of gross Covid-19 savings funding received.
3. Dumfries and Galloway, East Lothian and Midlothian have been excluded as information on savings performance was not reported.

Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports

Reserves

Total reserves held by IJBs have doubled to £1,262 million in 2021/22 largely due to additional funding received late in the financial year

19. In 2021/22, all IJBs recorded an increase in their level of reserves with the overall reserve balance increasing by £679 million (116 per cent) to £1,262 million. Total reserves held at the year-end now represented 12 per cent of the net cost of service. This represents almost an eightfold increase in reserves since the start of the pandemic.

20. Reserves largely consisted of four main areas ([Exhibit 3, page 13](#)), as follows:

- Covid-19 related reserves of £502 million (£152 million in 2020/21) representing all unspent funding received to support the impact of the pandemic on IJB services.
- Earmarked reserves of £426 million (£201 million in 2020/21) include a wide range of individual IJB specific reserves covering a number of areas, including reserves associated with winter planning and strategic/transformational change.
- Ringfenced reserves of £185 million (£115 million in 2020/21) to support Scottish Government national policy objectives. Examples include the Primary Care Improvement Fund, Mental Health Recovery and Renewal, Mental Health Action 15, Community Living Change Fund and Alcohol and Drug Partnership funding.
- Contingency reserves of £148 million (£112 million in 2020/21), representing reserves that have not been earmarked for a specific purpose. These reserves are used to mitigate the financial impact of unforeseen circumstances.

The Scottish Government is exploring options to recover around two-thirds of 2021/22 year-end Covid-19 related reserve balances

21. The Scottish Government wrote to IJBs in late 2022 highlighting that significant changes to Public Health policies have resulted in the profile of Covid-19 spending decreasing significantly. In response to this reduction in anticipated spending, the Scottish Government confirmed in January 2023 that they planned to recover £321 million (64 per cent) of Covid-19 related reserves held by IJBs at the end of 2021/22. This would have the impact of reducing the total year-end reserves position to £941 million.

22. It is anticipated that there will be engagement with the IJB Chief Finance Officers in April 2023 to determine any adjustments required around Covid-19 related expenditure incurred during the remainder of 2022/23.

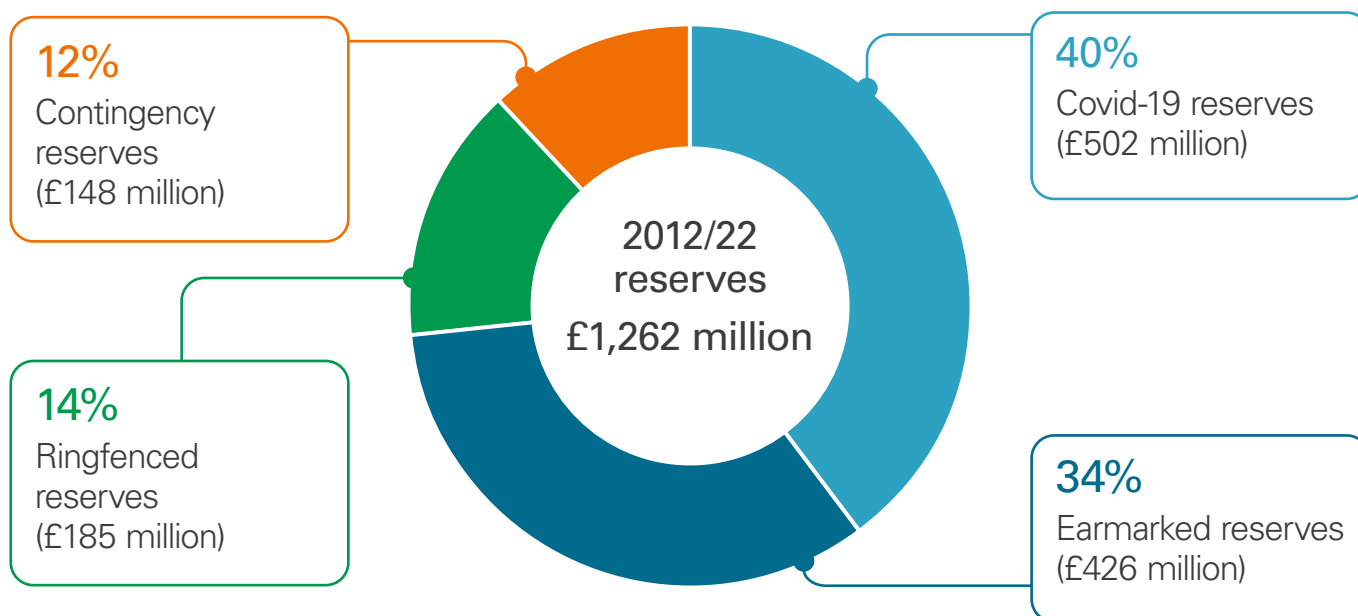


The Scottish Government plans to recover £321 million (64 per cent) of Covid-19 related reserves held by IJBs.

Exhibit 3.

2021/22 reserves

Total reserves held by IJBs have doubled to £1,262 million in 2021/22 largely due to additional funding for Covid-19 and other specific purposes received late in the financial year.



Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports

Contingency reserves now represent a fifth of the total year-end reserves balance once Covid-19 related balances have been excluded

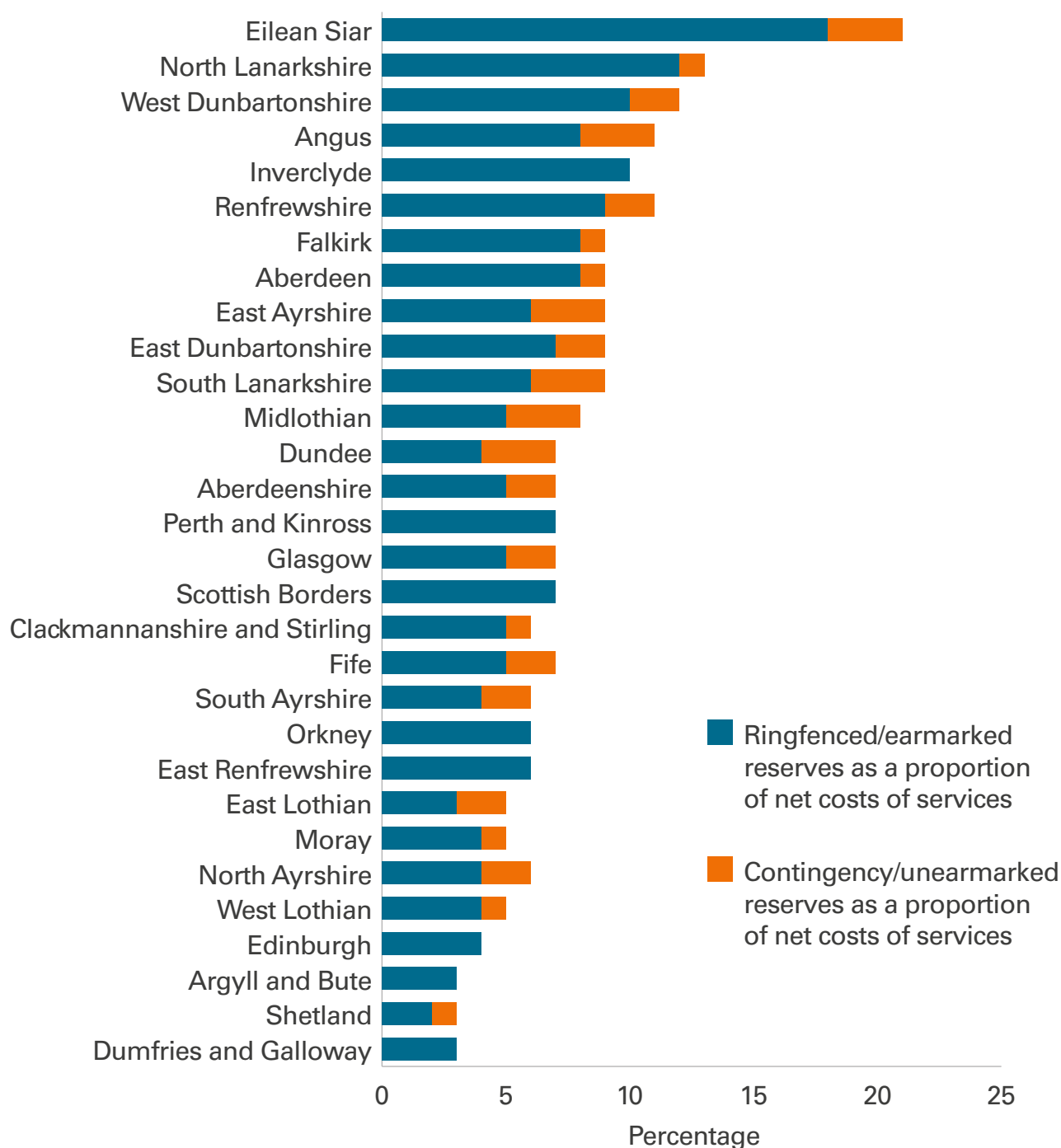
23. Once Covid-19 related reserves are excluded, 19 per cent of reserves were classified as contingency reserves, increasing from 16 per cent in 2020/21. Individual proportions ranged from zero to 43 per cent, with 14 IJBs having contingency reserves representing over 20 per cent of individual IJB total reserves.

24. Contingency reserves are levels of uncommitted funds used to mitigate against the impact of unanticipated events or emergencies. It is considered prudent for IJBs to have access to a level of contingency funds, especially during periods of increased financial uncertainty, and levels will be determined by each individual IJB depending on their circumstances. The level of uncommitted contingency funds held by each IJB will vary depending on individual IJB reserve policy. From a review of a sample of IJB reserve policies, IJBs were determining that a contingent reserve level of around two per cent of annual budgeted expenditure was prudent. Across the IJBs, contingency reserves as a proportion of net cost of services, ranged from zero per cent and three per cent; 27 per cent of IJBs had contingency reserve levels of between two and three per cent of net cost of services. For 43 per cent of IJBs, the level was either less than one per cent or zero ([Exhibit 4, page 14](#)).

Exhibit 4.

2021/22 year-end IJB reserves as a proportion of the net cost of services (excluding Covid-19 reserves)

Almost half of all IJBs had contingency reserve levels of less than one per cent of net cost of services.



Source: 2021/22 Audited Accounts

Financial outlook

Most IJBs agreed a balanced 2022/23 budget with partners before the start of the financial year

25. IJBs have a requirement to agree their budgets by 31 March each year. For 2022/23, 23 of the 30 IJBs agreed a balanced budget before the start of the financial year. Delays in the agreement of savings plans and NHS partner funding were the most common reasons for balanced budgets not being agreed at the start of the financial year.

The 2022/23 projected funding gap was £124 million, down from £151 million in 2021/22

26. IJB annual accounts and budget papers identified an overall funding gap of £124 million for 2022/23. This is down from the £151 million funding gap in 2021/22. Individual funding gaps, as a proportion of the net cost of services, ranged from zero per cent to six per cent in Eilean Siar ([Exhibit 5, page 16](#)).

27. Of the total funding gap, 57 per cent (72 per cent in 2021/22) is anticipated to be met by identified savings, 15 per cent from the use of reserves, with actions yet to be identified to bridge the remaining gap ([Exhibit 6, page 17](#)).

A third of the 2022/23 projected funding gap is anticipated to be bridged on a non-recurring basis

28. The use of reserves makes up 14 per cent of plans to bridge the funding gap. The identified savings also includes a proportion of non-recurring savings. There was a significant proportion of the funding gap that had yet to have planned action agreed at the time of budget setting. The increased reliance on non-recurring sources of income is not sustainable in the medium to long term. The identification and delivery of recurring savings and a reduced reliance on drawing from reserves to fund revenue expenditure will be key to ensuring long-term financial sustainability ([Exhibit 6, page 17](#)).

29. From a review of 2021/22 Annual Audit Reports, auditors reported that future funding gaps are unlikely to be addressed through efficiency and transformation savings alone. The scale of the challenges faced by IJBs means that services will need to change if they are to be sustainable in the future. IJBs will need to work with partners to develop revised financial strategies to ensure that they remain financially sustainable.

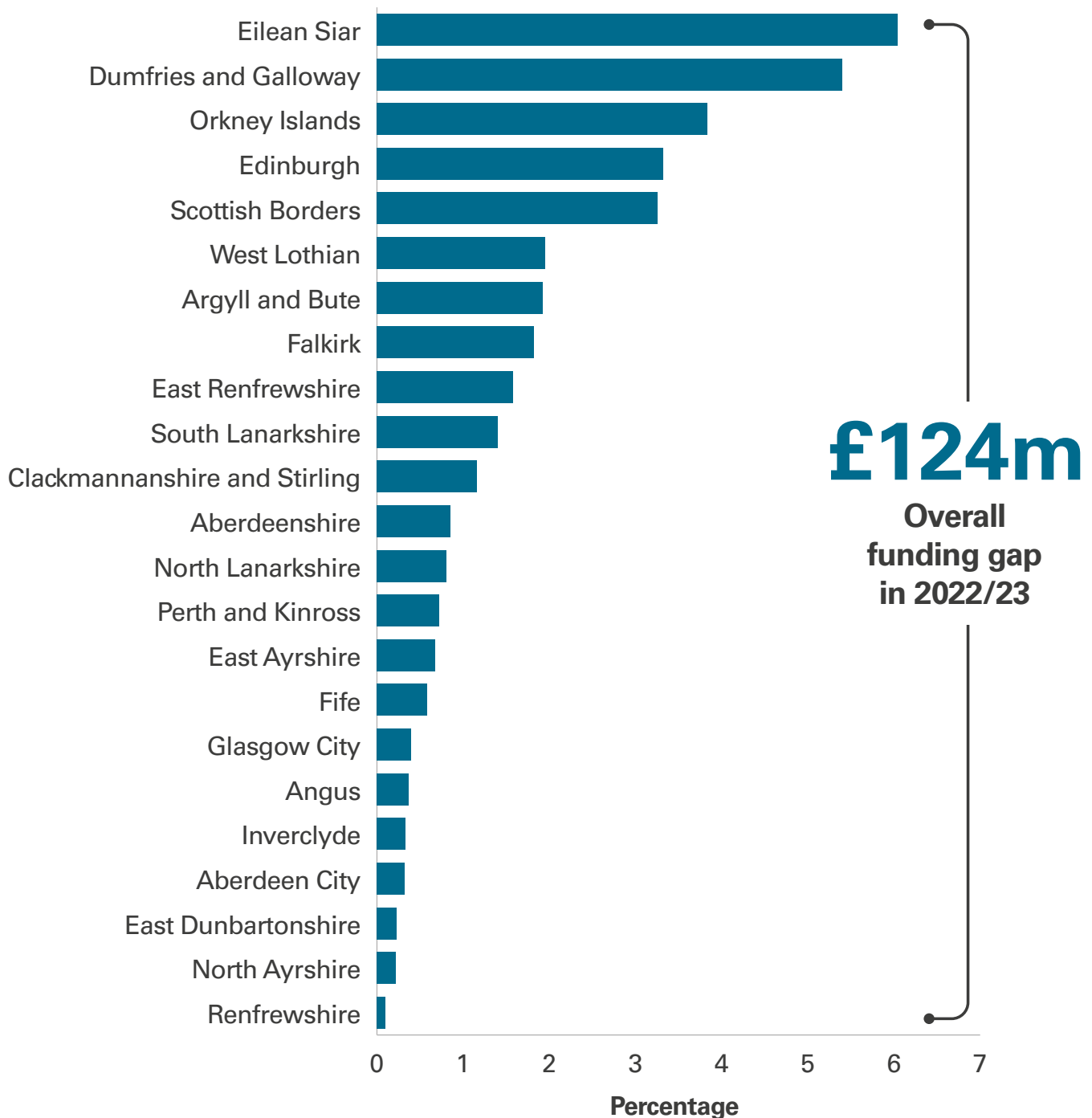


IJBs will need to work with partners to develop revised financial strategies to ensure that they remain financially sustainable.

Exhibit 5.

2022/23 IJB funding gap, excluding Covid-19 related costs, as proportion of 2021/22 net cost of services

IJB annual accounts and budget papers identified an overall funding gap of £124 million for 2022/23, down from £151 million funding gap in 2021/22. Individual funding gaps, as a proportion of the net cost of services, ranged from zero to six per cent.



Notes:

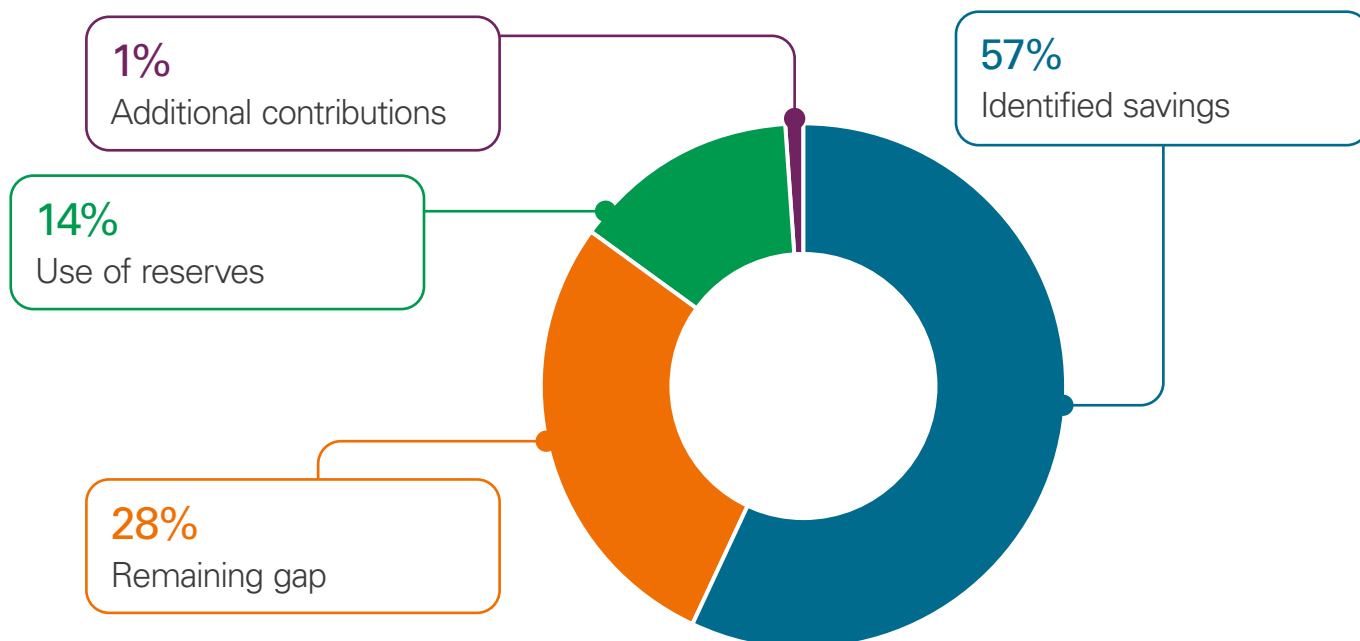
1. Seven IJBs report no funding gap for 2022/23.
2. In some cases it was not clear from reports whether unachieved savings brought forward were included in the 2022/23 funding gap.

Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports, IJB MTFPs

Exhibit 6.

2021/22 IJB funding gap planned action

The use of non-recurring reserves makes up 14 per cent of plans to bridge the funding gap.



Note: It was not clear from reports the proportion of savings that were planned to be delivered on a recurring or non-recurring basis.

Source: 2021/22 Audited Accounts, IJB 2021/22 Outturn reports, IJB MTFPs

Three-quarters of IJBs have revised their medium-term financial plans (MTFP) since 2022

30. Twenty-three IJBs have a MTFP in place that has been updated since 2022, whereas five IJBs do not currently have a MTFP in place. The impact of Covid-19 and the current levels of financial uncertainty was cited as a reason for the delays in developing or updating MTFPs. It is important that IJBs revise their MTFPs to allow them to respond effectively to the long-term impacts of Covid-19 and increased cost pressures, including rising demand and inflation.

31. Some examples of the anticipated funding gaps over the period 2022/23 to 2024/25 included:

- Glasgow anticipating a funding gap of £60 million representing four per cent of their 2021/22 net cost of services
- Renfrewshire anticipating a funding gap between £37 million to £48 million representing 11–15 per cent of their 2021/22 net cost of services
- Eilean Siar anticipating a funding gap of £7 million representing 11 per cent of their 2021/22 net cost of services.



It is important that IJBs revise their MTFPs to respond effectively to the long-term impacts of Covid-19 and increased cost pressures.

32. Common cost pressures and challenges raised in MTFPs included:

- inflationary pressures impacting the cost of providing service
- increasing complexity of care
- staff shortages and difficulty in recruiting leading to increased locum and agency bank costs
- meeting climate change commitments
- uncertainties around the long-term impact of Covid-19 on frailty and its potential impact on demand for services.

Seven IJBs reported a change of Chief Officer or Chief Finance Officer in 2021/22 and instability of leadership continues to be a challenge

33. Seven IJBs reported a change in a senior officer role in 2021/22 compared to changes at 12 IJBs reported in 2019/20. Although this represents an improvement on the 2019/20 position, instability of leadership continues to be a challenge and has the potential to contribute to delays in strategic planning and issues with workforce planning.

34. With the council elections in May 2022, membership of IJBs will have been subject to change. Structured programmes of induction for new members will help ensure they have the skills and knowledge to provide a high standard of scrutiny and decision-making.

IJBs face considerable challenges and uncertainties and significant and long-term transformation is required to ensure they have the organisational and financial capacity to ensure high quality services in the longer term

35. Auditors reported that efficiency and transformational savings alone may be insufficient to meet future financial challenges and that significant and long-term transformation will be needed to ensure financial sustainability. IJBs are facing a range of significant challenges and uncertainties, including:

- level and terms of future funding settlements
- recruitment and retention difficulties, both internally and with external providers
- rising demand, including demographic challenges of an ageing population
- cost of living crisis and inflationary pressures
- ongoing impact of Covid-19
- potential financial implications of the creation of a National Care Service (NCS).

36. The National Care Service (Scotland) Bill (the Bill) was introduced in June 2022, with the policy objective of improving quality and consistency of social services in Scotland. The Scottish Government published a [Financial Memorandum](#) to accompany the Bill. This sets out that total estimated cost ranges of the Bill will be £24–36 million in 2022/23, increasing to £241–527 million by 2026/27. Our view, as set out in our [NCS Bill – Call for Evidence](#) document is that the potential costs summarised in the financial memorandum are likely to significantly understate the margin on uncertainty and range of potential costs of establishing the NCS.

37. Stage One of the Bill was due to be completed in March 2023 but has been postponed until 30 June. This will allow the Scottish Government time to respond to some of the points raised through the parliamentary scrutiny process to date. The Scottish Parliament’s Finance and Public Administration Committee published a [report](#) on the Financial Memorandum in December 2022, where it raised significant concerns in relation to costing estimates. The committee has requested that the Scottish Government revises the Financial Memorandum, updating financial costing estimates. The Scottish Parliament’s Delegated Powers and Law Reform Committee published its [report](#) stating that it does not believe the Bill should progress in its current form. It is concerned that there is currently insufficient detail in the Bill documents to allow for meaningful parliamentary scrutiny.

38. The sector cannot wait for a NCS to deal with the huge challenges it faces and action is needed now. These challenges will have been exacerbated by the further pressures on Scotland’s public finances from rising demand and inflation, as set out in our report [Scotland’s public finances: Challenges and risks](#). In particular, recent demand pressures, as well as the cost of living crisis has put real pressure on both the demand for services, and the provision of these services – notably the workforce. Recovery from the pandemic is having an ongoing impact, with increasing levels of unmet need having a real impact on the outcomes for individuals.

39. A measure of success for any reforms will be to ensure that a preventative, person-centred approach, as set out by Christie ten years ago, is embedded to improve outcomes and reduce inequalities. To do so, it will be essential that appropriate funding is put in place to deliver on these ambitions.

40. Further information about our work on [Transforming health and social care in Scotland](#) is available on the Audit Scotland website as well as the following outputs:

- [What is integration? A short guide to the integration of health and social care services in Scotland \(2018\)](#)
- [Health and social care integration \(2015\)](#)
- [Health and social care integration: Update on progress \(2018\)](#)

Integration Joint Boards

Financial analysis 2021/22

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South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. FSD Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

1. Policy details

Policy Title	Audit Scotland: Integration Joint Boards – Financial Analysis 2021/22
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance, ICT and Procurement – tim.baulk@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person’s sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children’s Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low

General Duty and other Equality Themes Consider the 'Three Key Needs' of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as Medium and/or High)	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
Rationale for decision: This report advises Members of the findings of the report by Audit Scotland. Their decision on this has no specific equality implications	
Signed : Tim Baulk Date: 5 May 2023	Head of Service